

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES



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February 15, 2011

Representative Don Roberts, Chair
Appropriations Subcommittee for
Health and Human Services
State Capitol Building
Helena MT 59620

Dear Chairman Roberts:

The following information is being provided to answer the question asked by Representative Burnett regarding the items that make up the Medical and Pharmacy Inflation adjustment for the Montana Veterans Home in the Senior and Long Term Care Division.

Decision package 22114 is titled Medical and Pharmacy Inflation but this decision package is made up of various items necessary for the maintenance and operation of the Montana Veterans Home and is not limited to medical or pharmacy related items. Inflation on medical care such as pharmacy, physical therapy, medical supplies, etc. is the largest item in this decision package.

This decision package recognizes the increase in these expenditures from the 2010 base to fiscal year 2012. There is an increase in 2012 to 2013 relative to insurance cost increases. Some items are adjusted based on changes in how the facility will be operating from the 2010 base expenditure level to the 2012/2013 expected level of expenditures. Some items are adjusted based on cost increases being passed on to us from our vendors or based on our historical experience of how these costs have increased from year to year. The following are examples of what is included in this decision package:

- A change was made in how we provide meals to residents in order to offer more flexibility and better address residents' nutritional needs. We moved from a three meal plan to a five meal plan resulting in some increased cost on the front end to start up this program. We hope eventually to realize savings in less food waste by residents as food is more readily available when a resident wants to eat.
- The facility underwent a remodeling/addition during the last biennium which resulted in increases to square footage and changes in the cost to maintain this new square footage.
- Negotiated contracts with physicians, physical therapist and dietitians have increased. These are necessary to deliver the level of care at the facility. There have also been increases in the VA pharmacy salaries and benefits that are paid at the federal VA level for the onsite pharmacy.
- Increases relative to insurance and taxes.
- Increased costs of medical supplies, paper products, janitorial supplies and kitchen supplies.

- The cost of paying back to the Department of Administration (DOA) costs incurred related to energy savings projects completed during the last biennium with ARRA funding are included. We will continue to recognize these pay backs to DOA as a result of the energy retrofit at the facility.

I hope this information addresses the question that Representative Burnett asked. Staff from the Senior and Long Term Care Division would be available to respond to further questions.

Sincerely,

Mary E. Dalton

Mary E. Dalton, Branch Manager
Medicaid and Health Services Branch

cc: Subcommittee Members
Anna Whiting Sorrell
Jon Ebel
Kelly Williams
Laurie Lamson

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Dear Chairman Roberts:

Senator Lewis requested information regarding the logistics and timeline necessary to issue a Request for Proposal or Request for Information for the operation of the Montana Veterans Home during the Senior and Long Term Care Division overview.

We have summarized information that we have gathered from the Department of Administration Procurement Bureau on the estimated time necessary for each type of request.

A Request for Information (RFI) is simply an information gathering tool and cannot be used as a basis for establishing a contract (even sole source).

- It can be formal with deadlines for submitting responses and requirements for the type of information to be submitted.
- It can be informal with phone calls, email, etc.
- Time lines can vary greatly depending on the method selected, the locations of the potential interested parties, and the complexity of the information sought.
- With a list of viable contractors, an RFI can be turned around fairly quickly, in a week to 10 days.
- If there is no list of interested parties it can be advertised and would take longer.
- DPHHS does not maintain a list of interested parties for this type of information request. We have only had one vendor bid on the operation of the Eastern Montana Veterans Home since that facility opened.
- In order to solicit responses we would need to advertise for a period of time to see who would be interested in responding to this request for information.
- We would need to develop a formal RFI document for individuals to respond to. This would include information on how the facility currently operates, how the services are delivered, and what we want the responder to address in their response. We would look for information such as the responder's experience with operating this type of facility, experience with veteran's services and payments, expectations for payment under a contract arrangement, for example.
- **We estimate 45-60 days are needed to complete an RFI process, advertise and receive responses back.**

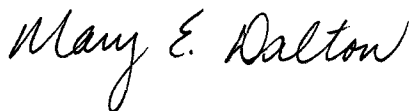
A Request for Proposal (RFP) is a formal solicitation method used for seeking competition in contracting decisions. An estimated timeline would be 17 weeks, approximately 4 months on average. If there is no document to work from this would be a longer process up to 6 months or more from starting to write the RFP to contract award.

- Writing the RFP can take a couple weeks for simple services up to months for more complex services/contracts.
- Advertising the RFP (solicitation is "on the street" available for interested parties to see and respond) should take a minimum of 30 days. More complex or new projects should be given additional time.
- Evaluating the RFP responses – it is difficult to estimate the amount of time for this step because there are several factors that need to be considered.
 - a. The number of proposals received
 - b. The time commitments/restraints for the committee members. Each evaluation committee member needs to have time enough to fully read each proposal.
 - c. Evaluation meetings are public meetings. There may be more than one meeting depending on the number of responses and if clarification questions need to be issued, or if a Best and Final Offer is issued.
- Compiling the evaluation materials and submittal to the Procurement Officer usually takes a week. This includes review at the Department leadership level.
- Reviewing all the materials takes the Procurement Officer a couple days to a week. Then they can issue notice letters to all the responders letting them know the outcome of the process.
- Collection of insurance documents takes 10 business days
- Contract negotiation can start as soon as the notice letters are sent out and usually takes anywhere from two weeks to a month.

The Senior and Long Term Care Division's experience with contracting for the operation of the Eastern Montana Veterans Home has been that it takes at least ten months from start of drafting the RFP to being able to enter into a final contract with a vendor. This timeline is with an established vendor and established contract. We believe that a new contract for operation of a facility like the Montana Veterans Home could take this long if not longer before a contract could be negotiated, signed and in place for operation of the facility.

Staff from the Senior and Long Term Care Division would be available to respond to further questions.

Sincerely,



Mary E. Dalton, Branch Manager
Medicaid and Health Services Branch

cc: Subcommittee Members
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